



# SOUTH YORKSHIRE MAYORAL COMBINED AUTHORITY

## Internal Audit Strategy 2024/25

Presented at the Audit, Standards and Risk Committee meeting of: 20 March 2024

This report is solely for the use of the persons to whom it is addressed.

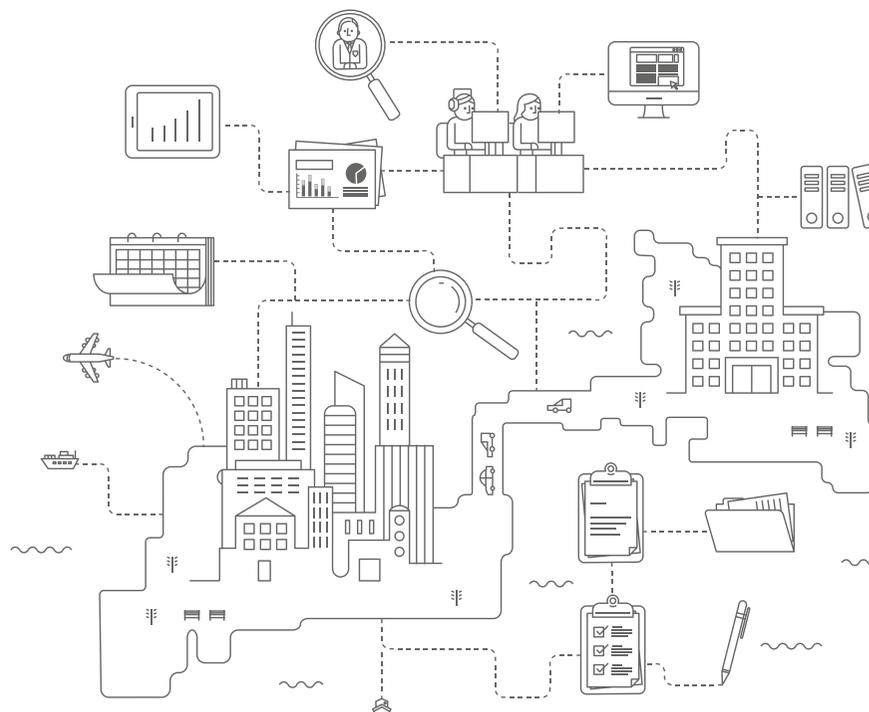
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# CONTENTS

Executive summary .....	3
1.1 Internal Audit Plan 2024/25 .....	5
1.2 Internal Audit Methodology .....	8

## Appendices

2.1 Internal Audit Strategy 2023/24 to 2025/26 .....	10
3.1 Your Internal Audit Service .....	14
3.2 Internal Audit Charter .....	15



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## EXECUTIVE SUMMARY

**Our approach to developing your internal audit plan is based on analysing your corporate objectives, risk profile and assurance framework as well as other, factors affecting South Yorkshire Mayoral Combined Authority (MCA) in the year ahead, including changes within the sector.**

Our Internal Audit Plan for South Yorkshire Mayoral Combined Authority is presented for approval by the Audit, Standards and Risk Committee at this meeting. The committee are asked to approve the Internal Audit Plan and associated Internal Audit Charter. During the year, we will continue to work with management and hold regular meetings to deliver an internal audit programme which remains flexible and agile to ensure it meets your needs.

The key points to note from our plan are:



Your core team are Rob Barnett (Head of Internal Audit), Anna Mullen (Associate Director), and Aaron Macdonald (Manager), who are supported by specialists, as required.



Number of deliverables: 13



Flexible and agile approach to deliver in order to respond to your needs.



200 days internal audit plan (including 30 days for the tram company).



Technology toolkit – 4 questionnaires, Alteryx, PowerBi



Internal Audit Charter, at Section 3.2.

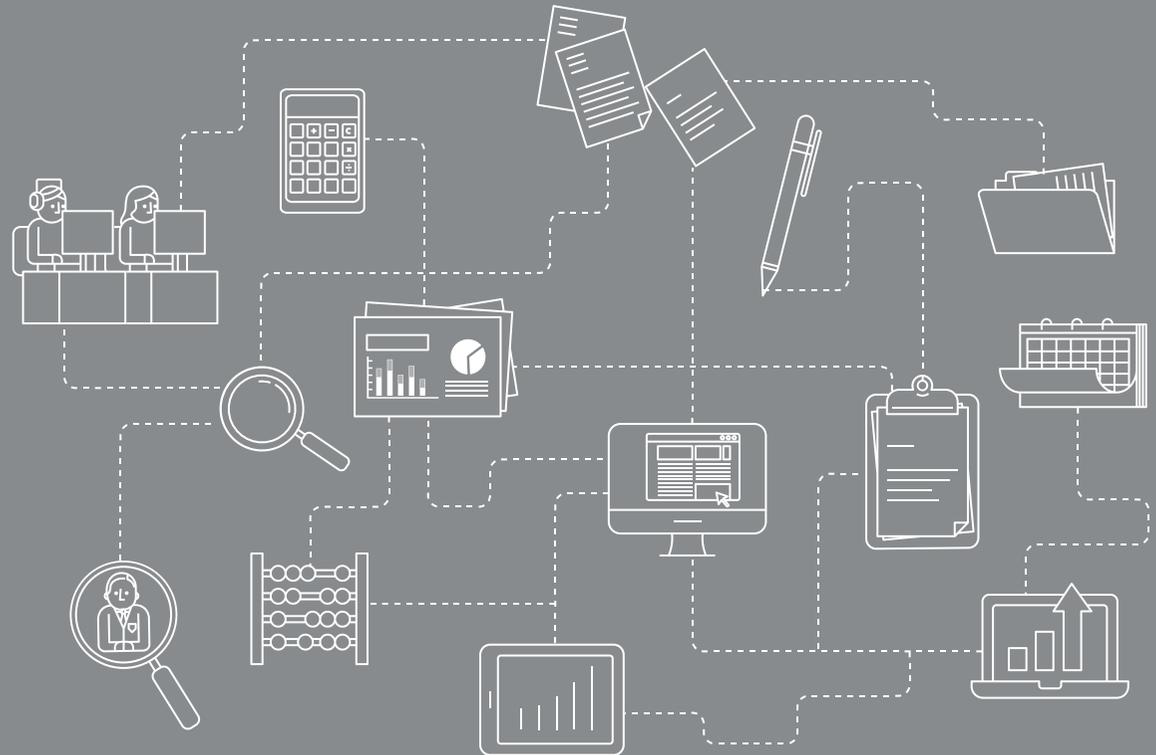
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**‘RSM generally conforms\* to the requirements of the IIA Standards’ and RSM IA also generally conforms with the other Professional Standards and the IIA Code of Ethics’.**

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# Annual Internal Audit Plan and Methodology

# 01



## 1.1 INTERNAL AUDIT PLAN 2024/25

The table below shows each of the reviews that we propose to undertake as part of the internal audit plan for 2024/25. The table details the strategic risks which have focused our internal audit coverage. This review of your risks allows us to ensure that the proposed plan aligns with the organisation's assurance needs for the forthcoming and future years.

	Audit approach	Days	Proposed timing	Proposed Audit, Standards and Risk Committee
<b>Core Internal Audit Activity</b>				
<b>Strategic Risks</b>				
<p><b>COR0021: Heightened Cyber Security Threat</b></p> <p><b>IT Asset Management</b></p> <p>To ensure the organisation's assets are accounted for, deployed, maintained, upgraded, and disposed of when the time comes. Includes hardware, software systems, or information an organisation places value upon.</p> <p>This review will be undertaken by our Technology Risk Assurance specialists.</p>	Risk based	15 days	15 July 2024	24 September 2024
<p><b>COR0018: Health and Safety - Major Accident or Injury</b></p> <p><b>Health and Safety Compliance and Culture</b></p> <p>We will review the health and safety framework in place within the MCA to assess how the MCA manages health and safety across multiple areas of the organisation. We will include a review of health and safety training, roles and responsibilities, governance arrangements and reporting.</p>	Risk based	20 days	27 January 2025	May 2025
<p><b>COR0015: Tram Services</b></p> <p><b>Tram Governance</b></p> <p>Following the introduction of the tram company into the MCA, this review will assess the processes and structures in place for how the MCA obtain assurance over the tram companies operations.</p>	Risk based	15 days	1 November 2024	4 February 2025

	Audit approach	Days	Proposed timing	Proposed Audit, Standards and Risk Committee
<p><b>Bus Tendered Services</b></p> <p>This review will assess how the MCA are using the available data to make decisions with what routes to tender and the process for tendering the routes, through to accepting the successful bidder, and the subsequent management of the contract. This will include how the MCA ensure value for money is obtained for these routes.</p>	System based	18 days	22 April 2024	17 July 2024
<p><b>Fraud in Skills</b></p> <p>This review will assess the controls in place for the MCA to protect themselves from fraud risks. This review will be conducted by our Fraud Risk Services specialist.</p>	Advisory	17 days	3 June 2024	24 September 2024
<p><b>PCC Integration</b></p> <p>Following the transfer of Police and Crime Commissioner (PCC) functions to the MCA, this review will assess the processes in place to manage this integration including how their financial data is managed at the MCA, and how the MCA obtain assurance over the controls and processes in place at the PCC, including decision making in line with delegated authorities.</p>	System based	17 days	11 September 2024	26 November 2024
<p><b>Payroll</b></p> <p>We will undertake an assurance review to consider the processes and procedures the MCA has in place in relation to payroll. We will review the areas including starters, leavers and amendments. We will incorporate data analytics testing to assess the whole population.</p>	System based / Data Analytics	13 days	3 March 2025	May 2025
<p><b>HR Management</b></p> <p>The specific area for consideration will be agreed nearer the date of the audit; however, this will include either Recruitment and Retention, or Absence Management.</p>	System based	16 days	25 November 2024	4 February 2025
<p><b>Tram - Risk Management</b></p> <p>This review will assess how the newly integrated tram business is managing their risk at a strategic operational level, and how they have adopted the overarching risk management processes of the MCA.</p>	System based	7 days	20 January 2025	May 2025

	Audit approach	Days	Proposed timing	Proposed Audit, Standards and Risk Committee
<p><b>Tram - Governance</b></p> <p>This review will confirm that governance meetings are being conducted in line with defined schedules and that each meeting has an up to date Terms of Reference, each meeting is quorate, and timelines for agendas and minutes are being adhered to.</p>	System based	7 days	23 September 2024	4 February 2025
<p><b>Tram - Key Financial Controls</b></p> <p>This review will incorporate testing across the key financial controls of the organisation due to the introduction of a new finance system and control processes. Testing will include areas such as:</p> <ul style="list-style-type: none"> <li>• Accounts Payable;</li> <li>• Accounts Receivable; and</li> <li>• General Ledger / Month End Processes.</li> </ul>	System based / Data Analytics	16 days	18 November 2024	4 February 2025
<b>Other Internal Audit Activity</b>				
<p><b>Management</b></p> <ul style="list-style-type: none"> <li>• Annual planning;</li> <li>• Preparation for, and attendance at, Audit, Standards and Risk Committee;</li> <li>• Regular liaison and progress updates;</li> <li>• Liaison with external audit and other assurance providers; and</li> <li>• Preparation of the annual opinion.</li> </ul>		25 days	Throughout the year	
<p><b>Follow Up</b></p> <p>To meet internal auditing standards, and to provide assurance on action taken to address recommendations previously agreed by management. This will comprise of two reviews during the year.</p>		14 days	1 July 2024 10 March 2025	26 November 2024 May 2025

A detailed planning process will be completed for each review, and the final scope will be documented in an Assignment Planning Sheet. This will be issued to the key stakeholders for each review.

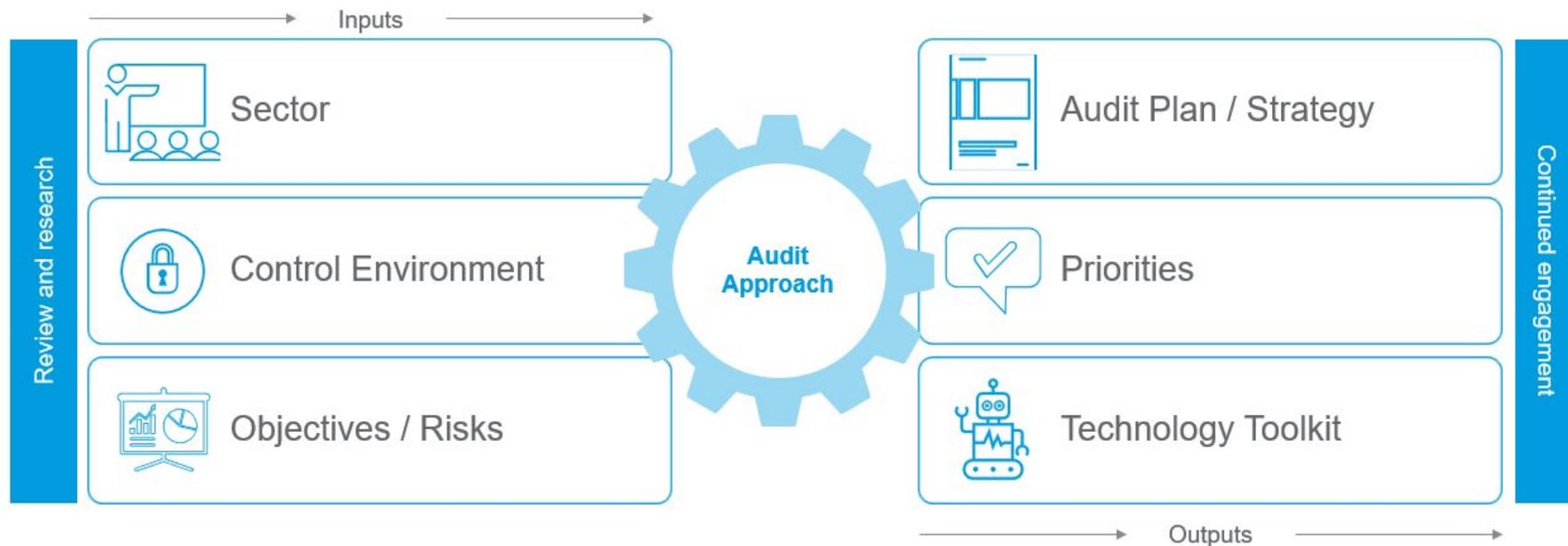
## 1.2 INTERNAL AUDIT METHODOLOGY

Our approach to developing your internal audit plan is based on analysing your organisational objectives, risk profile and assurance framework as well as other factors affecting South Yorkshire Mayoral Combined Authority in the year ahead, including changes within the sector. We also discuss audit priorities and coverage with management and the Audit, Standards and Risk Committee.

### Risk management processes

We have evaluated your risk management processes and consider that we can place reliance on your risk registers / assurance framework to inform the internal audit strategy. As part of our review in 2023/24, we provided a reasonable assurance opinion over the controls and processes in place for managing risk. We have used various sources of information (see Figure A below) and discussed priorities for internal audit coverage with the Executive Leadership Board Members to develop your annual audit plan and high-level strategic plan (See Section 2.1 and 3.2 ).

**Figure A:** Audit considerations when developing the Internal Audit Strategy.



# Your Internal Audit Strategy 2023 - 2026

# 02



## 2.1 INTERNAL AUDIT STRATEGY 2024/25

The table below shows an overview of the audit coverage to be provided through RSM's delivery of the internal audit strategy. This has been derived from the process outlined in Section 1.1 above, as well as our own view of the risks facing the sector as a whole.

Audit Area	Strategic / Operational Risk	2023/24	2024/25	2025/26
Bus Data Quality	COR0009	Reasonable		
Tram Services Progress Healthcheck, and Health & Safety Framework	COR0015	Reasonable		
Cyber Security	COR0021	Partial		
Adult Education Budget (AEB)	COR0001	Reasonable		
Risk Management	N/A	Reasonable		
Governance	N/A	✓		
Purchasing and Creditors	N/A	Reasonable		
Assurance Framework	N/A	Substantial		
Bus Tendered Services	N/A		✓	
Tram Governance	COR0015		✓	
IT Asset Management	COR0021		✓	
Fraud in Skills	N/A		✓	
PCC Integration	N/A		✓	
Health and Safety Compliance and Culture	COR0018		✓	

Audit Area	Strategic / Operational Risk	2023/24	2024/25	2025/26
Payroll	N/A		✓	
HR Management	N/A		✓	
Tram - Risk Management	N/A		✓	
Tram - Governance	N/A		✓	
Tram - Key Financial Controls	N/A		✓	
Financial Resilience / Budgeting	COR0012			✓
Policy Changes	COR002			✓
Data Quality	N/A			✓
Bus Franchising Readiness	N/A			✓
GDPR	N/A			✓
Accounts Receivable	N/A			✓
Procurement	N/A			✓
Staff Wellbeing	N/A			✓
Strategic Partnerships	N/A			✓
Systems Integration	N/A			✓
Tram – Readiness Review Follow Up	N/A			✓
Tram – Health and Safety	N/A			✓
Tram – Disaster Recovery and Business Continuity	N/A			✓

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Audit Area	Strategic / Operational Risk	2023/24	2024/25	2025/26
Tram – Effective use of new systems and processes	N/A			✓



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## 3.1 YOUR INTERNAL AUDIT SERVICE

### Conformance with internal auditing standards

RSM affirms that our internal audit services are designed to conform to the Public Sector Internal Audit Standards (PSIAS).

Under PSIAS, internal audit services are required to have an external quality assessment every five years. Our risk assurance service line commissioned an external independent review of our internal audit services in 2021 to provide assurance whether our approach meets the requirements of the International Professional Practices Framework (IPPF), and the Internal Audit Code of Practice, as published by the Global Institute of Internal Auditors (IIA) and the Chartered IIA, on which PSIAS is based.

The external review concluded that RSM 'generally conforms\*' to the requirements of the IIA Standards' and that 'RSM IA also generally conforms with the other Professional Standards and the IIA Code of Ethics. There were no instances of non-conformance with any of the Professional Standards'.

\* The rating of 'generally conforms' is the highest rating that can be achieved, in line with the IIA's EQA assessment model.

### Working with other assurance providers

The Audit, Standards and Risk Committee is reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not, seek to cover all risks and processes within the organisation.

We will however continue to work closely with other assurance providers, such as external audit to ensure that duplication is minimised, and a suitable breadth of assurance obtained.

## 3.2 INTERNAL AUDIT CHARTER

### Need for the charter

This charter establishes the purpose, authority and responsibilities for the internal audit service for South Yorkshire Mayoral Combined Authority. The establishment of a charter is a requirement of the Public Sector Internal Audit Standards (PSIAS) and approval of the charter is the responsibility of the Audit, Standards and Risk Committee.

The internal audit service is provided by RSM UK Risk Assurance Services LLP ('RSM').

We plan and perform our internal audit work with a view to reviewing and evaluating the risk management, control and governance arrangements that the organisation has in place, focusing in particular on how these arrangements help you to achieve its objectives. The PSIAS encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) as follows:

- [Core principles for the professional practice of internal auditing](#)
- Code of ethics
- Definition of internal auditing
- The Standards

### Mission of internal audit

As set out in the PSIAS, the mission articulates what internal audit aspires to accomplish within an organisation. Its place in the IPPF is deliberate, demonstrating how practitioners should leverage the entire framework to facilitate their ability to achieve the mission.

*"To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight".*

### Independence and ethics

To provide for the independence of internal audit, its personnel report directly to the Rob Barnett (acting as your head of internal audit). The independence of RSM is assured by the internal audit service reporting to the chief executive, with further reporting lines to the Chief Executive, with further reporting lines to the Executive Director Resources and Investment.

The Head of Internal Audit has unrestricted access to the Chair of Audit, Standards and Risk Committee to whom all significant concerns relating to the adequacy and effectiveness of risk management activities, internal control and governance are reported.

Conflicts of interest may arise where RSM provides services other than internal audit to South Yorkshire Mayoral Combined Authority. Steps will be taken to avoid or manage transparently and openly such conflicts of interest so that there is no real or perceived threat or impairment to independence in providing the internal audit service. If a potential conflict arises through the provision of other services, disclosure will be reported to the Audit, Standards and Risk Committee. The nature of the disclosure will depend upon the potential impairment, and it is important that our role does not appear to be compromised in reporting the matter to the Audit, Standards and Risk Committee. Equally we

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do not want the organisation to be deprived of wider RSM expertise and will therefore raise awareness without compromising our independence.

## Responsibilities

In providing your outsourced internal audit service, RSM has a responsibility to:

- Develop a flexible and risk based internal audit strategy with more detailed annual audit plans. The plan will be submitted to the Audit, Standards and Risk Committee for review and approval each year before work commences on delivery of that plan.
- Implement the internal audit plan as approved, including any additional tasks requested by management and the Audit, Standards and Risk Committee.
- Ensure the internal audit team consists of professional audit staff with sufficient knowledge, skills, and experience.
- Establish a quality assurance and improvement program to ensure the quality and effective operation of internal audit activities.
- Perform advisory activities where appropriate, beyond internal audit's assurance services, to assist management in meeting its objectives.
- Bring a systematic disciplined approach to evaluate and report on the effectiveness of risk management, internal control and governance processes.
- Highlight control weaknesses and required associated improvements together with corrective action recommended to management based on an acceptable and practicable timeframe.
- Undertake follow up reviews to ensure management has implemented agreed internal control improvements within specified and agreed timeframes.
- Report regularly to the Audit, Standards and Risk Committee to demonstrate the performance of the internal audit service.

For clarity, we have included the definition of 'internal audit', 'senior management' and 'board'.

- Internal audit – a department, division, team of consultant, or other practitioner (s) that provides independent, objective assurance and consulting services designed to add value and improve an organisation's operations. The internal audit activity helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.
- Executive Leadership Board who are the team of individuals at the highest level of organisational management who have the day-to-day responsibilities for managing the organisation.
- MCA Board - The highest-level governing body charged with the responsibility to direct and/or oversee the organisation's activities and hold organisational management accountable. Furthermore, 'board' may refer to a committee or another body to which the governing body has delegated certain functions (e.g. an Audit, Standards and Risk Committee).

## Client care standards

In delivering our services we require full cooperation from key stakeholders and relevant business areas to ensure a smooth delivery of the plan. We proposed the following KPIs for monitoring the delivery of the internal audit service:

- Discussions with senior staff at the client take place to confirm the scope four weeks before the agreed audit start date.
- Key information such as the draft assignment planning sheet are issued by RSM to the key auditee four weeks before the agreed start date.
- The lead auditor to contact the client to confirm logistical arrangements at least 10 working days before the commencement of the audit fieldwork to confirm practical arrangements, appointments, debrief date etc.
- Fieldwork takes place on agreed dates with key issues flagged up immediately.
- A debrief meeting will be held with audit sponsor at the end of fieldwork or within a reasonable time frame.
- Draft reports will be issued within 15 working days of the debrief meeting and will be issued by RSM to the agreed distribution list / Huddle.
- Management responses to the draft report should be submitted to RSM.

Within five working days of receipt of client responses the final report will be issued by RSM to the assignment sponsor and any other agreed recipients of the report.

## Authority

The internal audit team is authorised to:

- Have unrestricted access to all functions, records, property and personnel which it considers necessary to fulfil its function.
- Have full and free access to the Audit, Standards and Risk Committee.
- Allocate resources, set timeframes, define review areas, develop scopes of work and apply techniques to accomplish the overall internal audit objectives.
- Obtain the required assistance from personnel within the organisation where audits will be performed, including other specialised services from within or outside the organisation.

The head of internal audit and internal audit staff are not authorised to:

- Perform any operational duties associated with the organisation.
- Initiate or approve accounting transactions on behalf of the organisation.
- Direct the activities of any employee not employed by RSM unless specifically seconded to internal audit.

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## Reporting

An assignment report will be issued following each internal audit assignment. The report will be issued in draft for comment by management, and then issued as a final report to management, with the executive summary being provided to the Audit, Standards and Risk Committee. The final report will contain an action plan agreed with management to address any weaknesses identified by internal audit.

The internal audit service will issue progress reports to the Audit, Standards and Risk Committee and management summarising outcomes of audit activities, including follow up reviews.

As your internal audit provider, the assignment opinions that RSM provides the organisation during the year are part of the framework of assurances that assist the board in taking decisions and managing its risks.

As the provider of the internal audit service we are required to provide an annual opinion on the adequacy and effectiveness of the organisation's governance, risk management and control arrangements. In giving our opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the board is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The annual opinion will be provided to the organisation by RSM UK Risk Assurance Services LLP at the financial year end. The results of internal audit reviews, and the annual opinion, should be used by management and the Board to inform the organisation's annual governance statement.

## Data protection

Internal audit files need to include sufficient, reliable, relevant and useful evidence in order to support our findings and conclusions. Personal data is not shared with unauthorised persons unless there is a valid and lawful requirement to do so. We are authorised as providers of internal audit services to our clients (through the firm's terms of business and our engagement letter) to have access to all necessary documentation from our clients needed to carry out our duties.

## Quality Assurance and Improvement

As your external service provider of internal audit services, we have the responsibility for maintaining an effective internal audit activity. Under the standards, internal audit services are required to have an external quality assessment every five years. In addition to this, we also have in place an internal quality assurance and improvement programme, led by a dedicated team who undertake these reviews. This ensures continuous improvement of our internal audit services.

Any areas which we believe warrant bringing to your attention, which may have the potential to have an impact on the quality of the service we provide to you, will be raised in our progress reports to the Audit, Standards and Risk Committee.

## Fraud

The Audit, Standards and Risk Committee recognises that management is responsible for controls to reasonably prevent and detect fraud. Furthermore, the Audit, Standards and Risk Committee recognises that internal audit is not responsible for identifying fraud; however internal audit will be aware of the risk of fraud when planning and undertaking any assignments.

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## Approval of the internal audit charter

By approving this document, the internal audit strategy, the Audit, Standards and Risk Committee is also approving the internal audit charter.

## FOR FURTHER INFORMATION CONTACT

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We are committed to delivering an excellent client experience every time we work with you. If you have any comments or suggestions on the quality of our service and would be happy to complete a short feedback questionnaire, please contact your RSM client manager or email [admin.south.rm@rsmuk.com](mailto:admin.south.rm@rsmuk.com).

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The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

Our report is prepared solely for the confidential use of South Yorkshire Mayoral Combined Authority and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM UK Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM UK Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

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We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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